

Policy & Resources Committee

Item No 15

Report title:	Vulnerable Child Social Impact Bond
Date of meeting:	30 October 2017
Responsible Chief Officer:	Simon George, Director of Finance
Strategic impact The Demand Management and Prevention Strategy for Children's Services is one of the 7 corporate transformation priorities and will be at the heart of transforming Children's Services, making it both financially sustainable by 2022 and fit for the future. The Vulnerable Child Social Impact Bond will form part of the strategy and will have a direct effect on reducing the numbers of looked after children over 5 years, through delivering sustainable impact and introducing a new operating model.	

Executive summary

- Children's Services, supported by the Corporate Bid Team, made a successful Expression of Interest application to the Big Lottery Life Chances Fund (LCF) for a Social Impact Bond (SIB). The full application deadline is 31 October.
- SIBs are a funding mechanism for commissioners (NCC) to gain up-front investment from social investors into preventative interventions where that investment is only repaid if agreed outcomes are achieved.
- LCF is government funded and offers a 20% outcome payment top-up grant, plus development funding to support the cost of developing the full application. NCC's award of £36,500 development funding has enabled us to buy in expert support from Triodos Bank and attenuate the cost of officer time working on the bid.
- If our LCF application is successful, NCC will procure an investor provider partnership to establish a special purpose vehicle (SPV) that funds and contracts the delivery of evidenced based interventions which result in a reduction in the number of days spent in care.
- Assuming median performance, the SIB funded project is expected provide net savings for NCC of £7m over 5 years, as a result of reducing our placement costs for looked after children.
- Based on modelling, a median level of performance will require NCC to pay approximately £4.2m as outcome payments to the SPV on a payment by results basis, of which £835k (20%) will be contributed by the Life Chances Fund.
- Net savings will be ring-fenced to ensure sustainability of interventions that prevent the need for children to come into care.

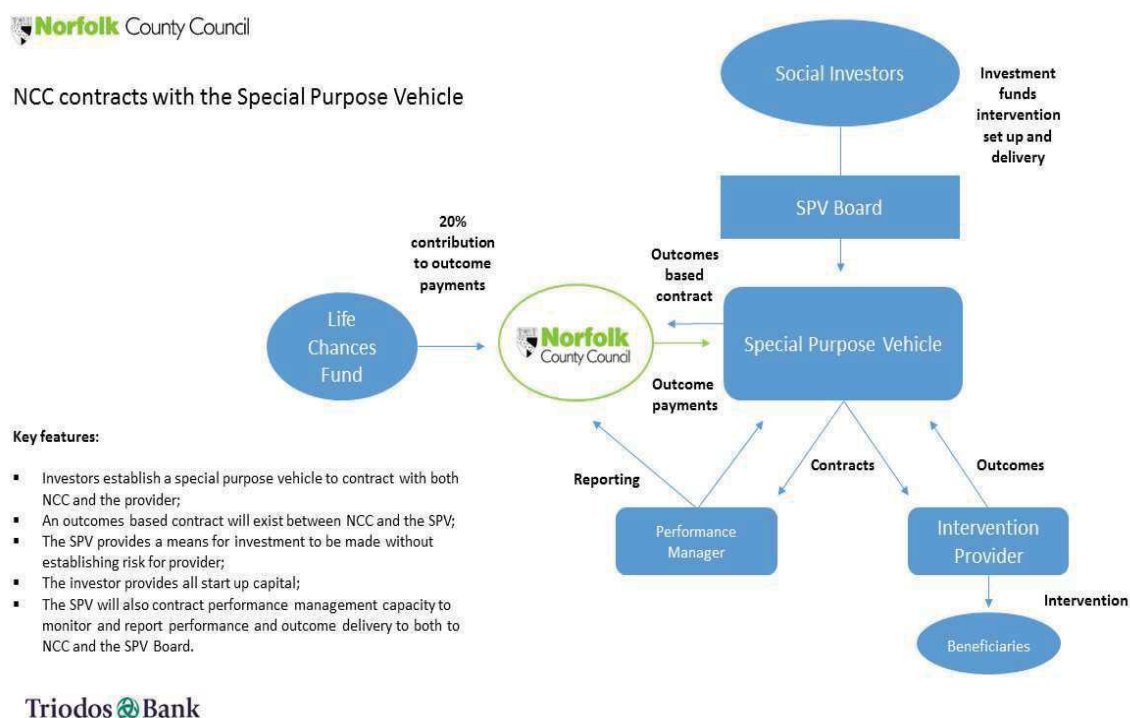
Recommendations:

Members are recommended to:

1. **Endorse the submission of the full LCF application due on 31 October**
2. **Delegate decision-making for procurement and award of contract to the Director of Children's Services**

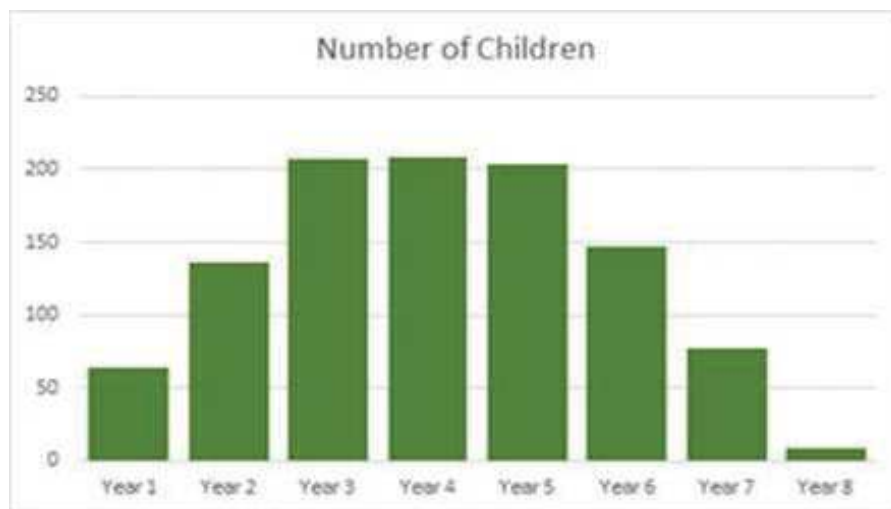
1. Proposal

- 1.1 In line with the ambition set out within Children's Services' transformation programme, Norfolk wants to reduce the number of children in care, enable more children to return home and reduce the length of stay when children do need to come into care.
- 1.2 We propose to submit an application to the Life Chances Fund (LCF) for a 20% subsidy in the cost of operating a Vulnerable Child Social Impact Bond (SIB) to drive a new intervention as part of our transformation programme. The deadline for the application is 31 October 2017.
- 1.3 If our application to the LCF is successful, we will procure an investor ~ provider partnership to fund and deliver an evidenced based intervention with a clear fidelity based model that is supported by a robust system of adherence.
- 1.4 Within the SIB, social investors will establish a special purpose vehicle (SPV) to contract with both NCC and the provider. A 100% payments by results contract will exist between NCC and the SPV. The SPV provides a means for investment to be made without establishing risk for NCC or the provider, and the investor provides all start-up capital. The SPV will also performance manage the contract with the provider and report performance and outcome delivery to both to NCC and the SPV Board.



- 1.5 The Vulnerable Child Social Impact Bond will target 360 children aged 8-15 over the life of the project (at median levels of recruitment) who are:
 - At the edge of care
 - In care but with a plan to return home that is yet to be realised
- 1.6 NCC will control which children and young people are recruited onto the project so that intervention is focused on individuals at the edge of care and where the risk for coming into care are categorised as neglect or family dysfunction.

- 1.7 The Vulnerable Child SIB will fund the delivery of a programme based on a 6 month evidenced based intervention with a clear fidelity based model supported by a robust system of adherence, followed by a two years and 5 months period of monitoring. This is designed to mirror the average length of time in care for an 8 – 15 year old person who goes into care in Norfolk.
- 1.8 Whilst the size of the target cohort is 360 at a median level, the model is capable of being easily flexed for a total “high” cohort size of 400 or a total “low” cohort size of 320 over the life of the contract.
- 1.9 Based on median recruitment, the annual profile of children participating in the Vulnerable Child SIB is expected to be as follows:



- 1.10 The aim of the Vulnerable Child SIB is to prevent the need for children to be in care.
- 1.11 Outcomes payments will be made based on the reduction in the number of care days actually spent in care for a cohort of children we expect otherwise to enter care, or those already in care, who have a plan to return home but have not yet been able to do so. The reduction in care days will be evidenced by data held in NCC’s case recording system.
- 1.12 The Vulnerable Child SIB is modelled on the basis that the majority of this saving remains with NCC with the balance used to fund an outcome payment per prevented care day.
- 1.13 Outcome payments that NCC repays to the SPV will be subject to a 25% discount for any individuals participating in the project above the median recruitment level of 360 children.
- 1.14 Despite individuals being referred to the project as a consequence of being assessed as being on the ‘edge of care’, the model assumes that 33% of all young people who are referred to the SIB would not actually enter care. This figure is approximated on national data relating to children in need (CIN) converting to Looked After Children (LAC).

- 1.15 The Council does not wish to carry the risk of making any outcome payments in respect of young people who would not have entered care anyway and therefore for the edge of care cohort within the Vulnerable Child SIB, the first 33% of care days prevented in any six month assessment period will not be eligible for any outcomes payment by NCC.
- 1.16 For example:
- Child A is identified by NCC as being on the edge of care and referred onto the project. They and their family engage in the 6 month programme of intensive intervention. During this 6 month period and for the following 2 years and 5 months the child will be monitored on whether or not they remain out of care. Any prevented care days will be added to the aggregated data for the whole cohort for each 6 month reporting period. NCC will pay an outcome payment per care day to the SPV for 66% of the total prevented care days for the cohort in each reporting period. The outcome payment will be partly funded from NCC savings as a result of prevented placement costs (80%), topped up by the grant from LCF (20%).*
- 1.17 The aim is to go out to procurement for an investor provider partnership as soon as a decision is made by LCF. This is expected 31 January 2018. This should enable us to award a contract to commence in July 2018.
- 1.18 NCC will need to enter into an 8 year contract with the SPV, reflecting the need for an initial mobilisation period followed by a five year referral period (from Y1M6 to Y6M6) followed by a two year five month monitoring period.
- 1.19 Work will begin prior to the LCF decision, to prepare for the procurement activity and to shape further the Vulnerable Child SIB model. This will include engagement with stakeholders, as well as potential social investors. We will continue to engage with operational managers in Children's Services to ensure that the project complements wider transformation and operational delivery within localities.
- 1.20 As the SIB funded intervention comes on-stream, any consequential cashable savings will be ring-fenced to fund ongoing intervention and ensuring sustainable ongoing savings as a result of reductions in the numbers of looked after children, as well as making a contribution to future savings targets in line with the Demand Management and Prevention Strategy for Children's Services.

2. Evidence

Why we are proposing to secure a Social Impact Bond via LCF

- 2.1 Pursuing a Vulnerable Child SIB offers an opportunity to secure external investment through a new type of funding model for the Council that presents minimal financial risk (see section 4) alongside an opportunity to reduce budget pressures. If the interventions funded via the SIB do not deliver outcomes in terms of prevented care days, the risk is with the investors via the SPV. NCC will only be liable to pay for outcomes if these are achieved.
- 2.2 NCC contracting with the SPV means that the overheads associated with the on-going performance management and oversight of the intervention provider rest

with the SPV Board over the life of the project. Given that investors will not see a return on their investment, it can be expected that the SPV Board will fulfil this set of responsibilities with diligence.

- 2.3 The current LCF offers a top-up grant that will contribute 20% towards the costs of outcomes payments. The LCF will cease in 2025.

Why we have identified this cohort of young people

- 2.4 The target cohort for the SIB project has been identified as primarily young people at the edge of care plus a smaller cohort of young people already in care where the plan is to return home. In both cases the focus for the Vulnerable Child SIB is young people where the reason for reception into care is categorised as neglect or family dysfunction such that the delivery of a structured evidence based intervention is most likely to have a positive impact.
- 2.5 This conclusion is based on needs analysis by NCC's Business Intelligence Team, including data on starts and ceases of care episodes over the last three years and the reasons for entering care. This analysis has also highlighted that some geographical areas are 'hotspots' in terms of children entering care. The project will be expected to target these areas in particular.
- 2.6 Across the county, between 30 and 40 children and young people enter care each month. 469 children entered care in 2016/17.
- 2.7 As at September 2017, there were 41 young people over the age of 8 looked after where the plan is to return home, of which 14.6% have been in care for over 6 months and 56% for over 12 months.

Why we are proposing the use of an evidence based intervention

- 2.8 Children's Services has not previously made systemic use of evidenced based interventions with a clear fidelity based model to reduce the numbers of looked after children. This would add significantly to the range of interventions being deployed to prevent children coming into care.
- 2.9 Rather than specify a particular intervention we are proposing to procure through a 'grey box' approach by simply specifying our wish for an evidence based intervention with a clear fidelity based model supported by a robust system of adherence. We have appraised a number of different evidence based interventions and each has its own merits. Given that Norfolk's needs may change over the life of the project, it will be important to ensure that any intervention deployed can respond effectively to these needs.

3. Financial Implications

- 3.1 Based on median recruitment and median performance, the Vulnerable Child SIB is expected to generate net savings of £7m over the life of the project for NCC through reducing the number of days spent in care by the target cohort.
- 3.2 The net savings for NCC are sensitive to the performance of the Vulnerable Child SIB both in terms of the number of young people recruited onto the project, and

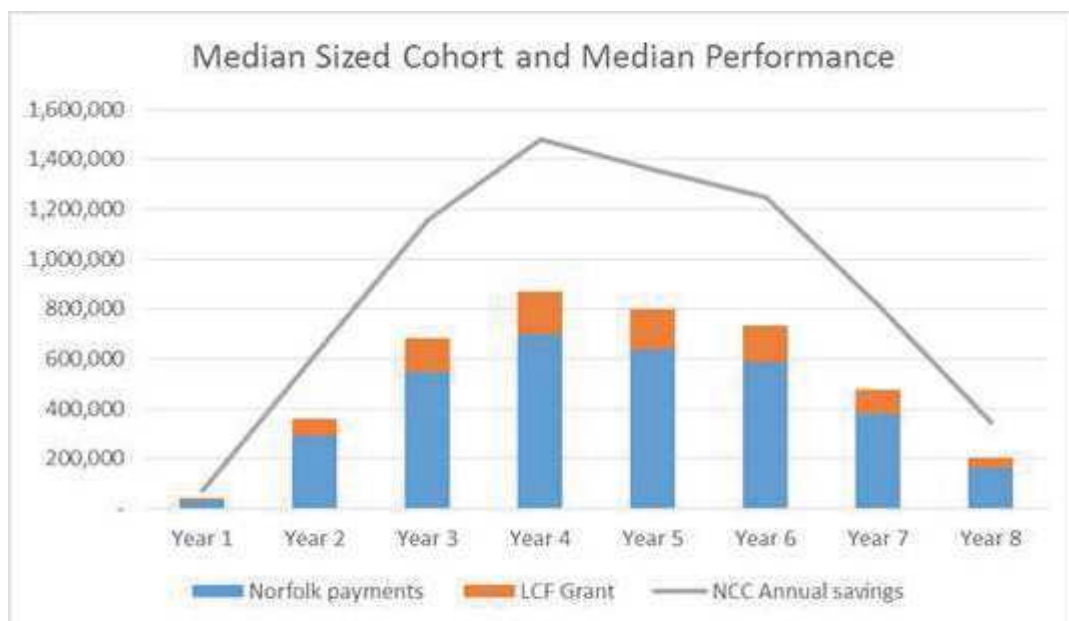
the success of the intervention to secure the required outcome. This is shown below:

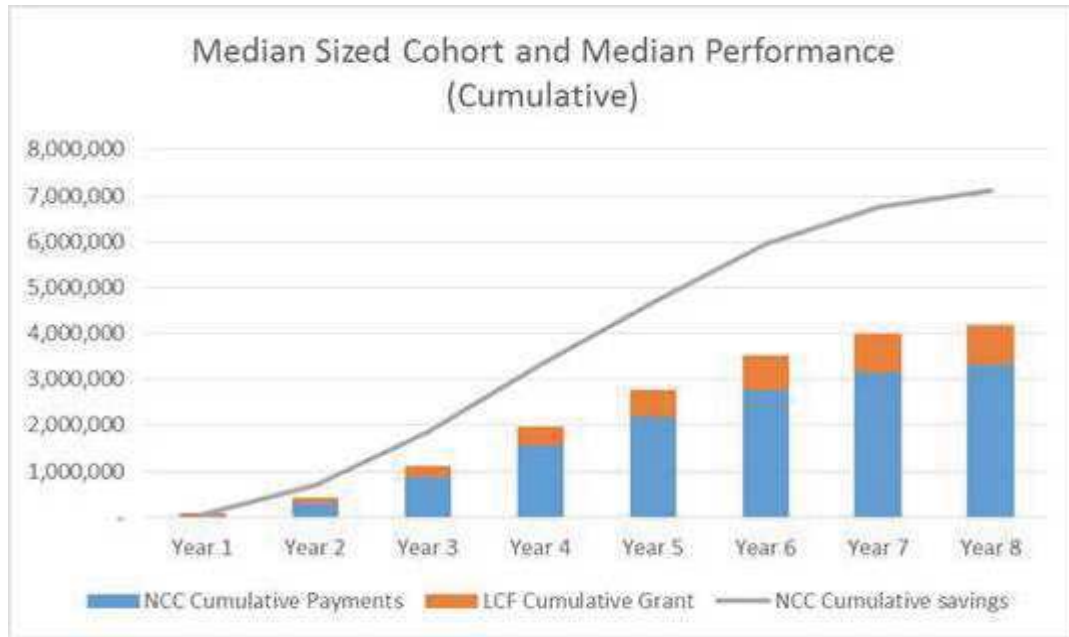
		Cohort recruitment		
		High £m	Median £m	Low £m
Outcome performance	High	£13.2	£11.3	£10.0
	Median	£8.3	£7.1	£6.3
	Low	£5.2	£4.4	£3.9

- 3.3 At a median/median level, the cost of outcomes payments will be approximately £4.2m, of which £835k will be refunded to NCC by the LCF as a top-up grant payment.
- 3.4 As with net savings for NCC, the performance of the SIB also impacts on the value of the outcome payments and therefore on the rate of return for investors:

		Cohort recruitment		
		High	Median	Low
Outcome performance	High	16.6%	16.8%	15.3%
	Median	6.7%	6.9%	5.7%
	Low	(6.2%)	(6.1%)	(6.6%)

- 3.5 The expected pattern of annual and cumulative savings for NCC, alongside outcome payments over the life of the project can be seen below:





- 3.6 There will be a financial implication for NCC related to the necessity to maintain oversight over the Vulnerable Child SIB in terms of controlling referrals, monitoring outcomes in terms of prevented care days, evaluation and financial oversight related to outcome payments.

4. Issues, risks and innovation

- 4.1 A key feature of a Social Impact Bond is that it displaces the risk of failure of interventions away from the Council as commissioner to investors, via the SPV Board. NCC will only be liable for outcome payments to the SPV if the SIB delivers a reduced numbers of care days for young people. As is shown in section 3 the level of savings for NCC outweighs the cost of outcome payments.
- 4.2 There is a risk that NCC pays for outcomes that might have occurred without the intervention. The application of a 33% bar for eligibility of outcome payments removes this risk.
- 4.3 By contracting the SPV to deliver the model, the costs and time associated with ongoing contract and active performance management of the intervention provider will be borne by the SPV Board rather than NCC.
- 4.4 There is a risk that the Vulnerable Child SIB will engage with young people outside the target cohort. This risk will be managed through NCC maintaining control over referrals to the project.
- 4.5 There is potential overlap with other transformation and edge of care projects leading to multiple providers targeting the same young people. All participants within the Vulnerable Child SIB will be flagged within the new Liquid Logic case recording system.
- 4.6 The operation of a payment by results contract will require strict financial control to ring fence the savings accruing within the Children's Services placement budget.

- 4.7 Legal implications: NCC will be required to procure an investor and provider partnership and enter into a contract with the SPV in line with the Public Contracts Regulations 2015. The Vulnerable Child SIB will support NCC to fulfil its responsibilities to children and young people on the edge of care, in line with various legislative requirements including Children Act 1989 & 2004.
- 4.8 Equality Implications: this proposal will enhance rather than reduce service provision. The participants being supported by the Vulnerable Child SIB will be monitored with regard to their protected characteristics.
- 4.9 Human Rights Implications: this proposal is neutral in human rights terms.
- 4.10 Environmental Implications: this proposal is neutral in environmental terms.
- 4.11 Health and Safety Issues: interventions under this proposal will be made in line with the NCC Health and Safety Guidelines.

5. Background

- 5.1 The UK is the world leader in Social Impact Bond development with over 30 now in operation and available social investment in the UK forecast to reach £1 billion. Much of this total was derived from the Commission for Unclaimed Assets work between 2005 and 2007 which led to the launch of Big Society Capital, the world's first social investment bank. Up to £400 million from the Reclaim Fund Ltd which collects monies from dormant UK banks and building society accounts and another £200m levied from the four main UK high street banks is now made available as social investment by Big Society Capital through a number of managed Social Investment Funds.
- 5.2 Social Impact Bonds (SIBs) are a means for commissioners to gain up-front investment from social investors into preventative interventions where that investment is only repaid if agreed outcomes are achieved. This means that services can be commissioned without risking internal budgets should those services prove to be unsuccessful. Social investors are driven by both social and financial returns and therefore are highly motivated to ensure that their money drives the success and impact on people's lives that both they and the commissioner want to see.
- 5.3 SIBs are developed with high levels of visibility on performance and outcome delivery so both the commissioner and investor can clearly see and verify the levels of success or plan for mitigations when things are not on track. This is particularly helpful within the context of service improvement and planning.
- 5.4 Contracts for SIBs tend to be longer to enable investors to achieve outcomes at a sufficient level to regain their investment this can also support VCSE providers' involvement who gain greater security while still being enabled to work within a payment by results approach.
- 5.5 To date, four SIBs have been delivered in other local authorities: Essex, Manchester, Birmingham and North Somerset. Of these Essex was the first SIB to be established and the only one that is focused on edge of care.

5.6 An evaluation of the Essex SIB was funded by DWP and conducted by the Office for Public Management (OPM). It occurred during the first 3 years of its 8 years of operation and was completed in March 2016. The findings concluded that the SIB facilitated innovative practice such as:

- Introduction of a Therapist in Waiting;
- Finding creative ways to enable training for rapid mobilisation;
- Lengthened therapists' notice period to 3 months;
- Resulted in efficiencies allowing 9 extra cases to be taken on.
- Strengthened staffing to support data and performance management, and employing a Research Assistant and Performance Analyst resulted in robust performance management and reporting.
- The deployment of a 'Flexible Fund' – an investor sourced small pot of money available to each family participating in treatment helped to sustain the positive changes and outcomes that were achieved.

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

If you have any questions about matters contained in this paper please get in touch with:

Officer Name:

Tim Eyres

Tel No:

01263 739077

Email address:

tim.eyres@norfolk.gov.uk



If you need this report in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 18001 0344 800 8020 (textphone) and we will do our best to help.